



Press Release

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Arion Bank: Regarding the Supreme Court judgment in a case brought against Íslandsbanki

Yesterday the Supreme Court of Iceland pronounced judgment in a case brought against Íslandsbanki concerning the terms of a specific mortgage which contained provisions on variable non-indexed interest rates. The court finds that the terms of the loan, which grant Íslandsbanki the authority to change interest rates, are in part unlawful.

It should be noted that the terms of Arion Bank mortgages which contain provisions on variable interest rates differ from those which were the subject of the Supreme Court judgment in the case against Íslandsbanki. Therefore, it is difficult to estimate the exact impact of the judgment on Arion Bank loans bearing non-indexed rates. If the court reaches a similar verdict in a dispute concerning Arion Bank loans bearing non-indexed rates, the Bank's preliminary assessment is that the financial impact of such a verdict would be insignificant.

A case brought against Arion Bank, which concerns the legality of terms concerning the Bank's authority to change interest rates on indexed mortgages, is waiting to be heard by the Supreme Court. The Court of Appeal ruled in the Bank's favour in this case last February. Since the interest rate adjustment terms of loans with indexed interest rates do not, by their nature, refer to rates determined by the Central Bank, the uncertainty surrounding the outcome of that case before the Supreme Court is greater than in cases involving loans with non-indexed interest rates.

The Bank will continue to evaluate yesterday's Supreme Court verdict and the reasons behind it.

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Attachments

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